

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SAM-01 SP-02 EB-07 INR-07 CIAE-00

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R 191515Z JAN 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9324

INFO AMCONSUL ALEXANDRIA POUCH

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EO 11652: NA

TAGS: EGEN EFIN EG

SUBJECT: CABINET ACTIONS ON DOMESTIC PRICES

REF: 75 CAIRO 11740

1. IN JANUARY 18TH MEETING, EGYPTIAN CABINET TOOK A NUMBER OF ACTIONS WHICH ARE INTENDED TO RAISE PRICES ON CERTAIN GOODS AND SERVICES IN ORDER TO REDUCE CONSUMPTION AND/OR INCREASE REVENUES FOR GOE.

2. ACTIONS HAVE FORCE OF LAW AND GO INTO EFFECT ON DAY OF DECISION. PRINCIPAL MEASURES ARE FOLLOWING: (A) ALLOCATIONS IN 1976 GOE STATE BUDGET FOR REGULAR AND PREMIUM GASOLINE USED BY GOVERNMENT AND PUBLIC SECTOR ORGANIZATIONS ARE REDUCED 10 PERCENT. (B) PRICE OF SUPER GRADE GASOLINE HAS BEEN INCREASED TO LE 0.80 PER LITER (AN INCREASE OF APPROXIMATELY 15 PERCENT). REGULAR GASOLINE REMAINS AT SAME PRICE. (C) CUSTOMS DUTIES ON IMPORTED ALCOHOLIC BEVERAGES WERE INCREASED BY 50 PERCENT AND TAXES ON NIGHT CLUBS BY 100 PERCENT. THEATRE AND MOTION PICTURE TICKETS WERE NOT AFFECTED.

3. COMMENT: FIRST TWO MEASURES MENTIONED ABOVE APPEAR TO BE CONSERVATION EFFORTS REQUIRED BY IMF IN ORDER TO OBTAIN ACCESS TO FUND'S OIL FACILITY. EMBASSY IS UNAWARE WHAT ACTIONS, IF ANY, IMF HAS TAKEN ON THIS ISSUE SINCE INFORMATION REPORTED

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REFTEL. ANNOUNCEMENTS MADE NO REFERENCE TO GASOLINE

SUBSIDIES.

4. MOVES ALSO REFLECT GROWING CONCERN OVER WIDE DIVERGENCE
IN STANDARDS OF LIVING IN EGYPT, AND ARE OBVIOUSLY INTENDED
TO STRIKE AT LIFESTYLES OF UPPER CLASSES. WHILE MOVES WILL
PROBABLY HAVE NO EFFECT ON CONSUMPTION OF ALCOHOL OR ATTENDANCE
AT NIGHT CLUBS, THEY WILL AT LEAST PRODUCE ADDITIONAL REVENUES
FOR STATE.
EILTS

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